

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 1, 2017/2018

### BFN3204 – CREDIT ANALYSIS AND LENDING MANAGEMENT

(All sections / Groups)

11<sup>th</sup> October 2017  
2.30 p.m. – 04.30 p.m.  
(2 Hours)

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#### INSTRUCTIONS TO STUDENTS

1. This Questions paper consists of 2 pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

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**QUESTION 1 (25 MARKS)**

KUALA LUMPUR, April 22 — Banks must lend responsibly to ensure the public do not take out loans beyond their means to repay, Bank Negara Malaysia said today as high property prices are forcing some buyers to purchase purely with credit.

BNM said such lenders must screen loan applicants to ensure they are able to meet the entirety of all their credit commitments. “Bank Negara Malaysia requires that financial institutions practise responsible lending/financing that helps to ensure borrowers can afford, have the capacity to repay their loans without experiencing substantial hardship and ultimately own their houses,” the central bank and financial regulator told Malay Mail Online in a response earlier this week.

BNM was responding to a query on the reported practice of some Malaysians who are making property purchases entirely on credit — typically through a housing loan from banks coupled with credit card debts or personal loans. Loan commitments cover all forms of credit, from credit card instalments to mortgages and with all financial institutions. Beyond evaluating the financial standing of borrowers, BNM said financial institutions are also required to “observe prudent debt service ratios” when assessing the ability of borrowers to repay their loans, especially those in vulnerable groups.

According to the Counselling and Debt Management Agency’s (AKPK) about 83 per cent of those who took part in the debt management programme have a combination of debt comprising housing loans, car loans and credit card debt, according to AKPK.

*Source: Business New, The Star*

- a) Based on the article, explain why the loan screening process is important. **(7 marks)**
- b) Discuss the appropriate stages in granting loan to borrower. **(18 marks)**

**QUESTION 2 (25 MARKS)**

- a) Disproportionate credit creation results in more credit supply which contributing to price inflation and asset value inflation. Explain the FIVE (5) types of credit bubble resulted from the excessive of credit supply. **(20 marks)**
- b) What are the advantages of credit lines and its limitation? **(5 marks)**

**Continued...**

**QUESTION 3 (25 MARKS)**

- a) As a General Manager of Pepperon Berhad, you need to guide your Credit Manager, Julia to develop a Written Credit Policy. Other than the credit department mission and goals, what are another **FIVE (5)** elements of well written credit policy? Briefly explain. **(20 marks)**
- b) Why do receivables difficulties rank first as a fundamental cause of business failure? **(5 marks)**

**QUESTION 4 (25 MARKS)**

- a) Describe **FOUR (4)** collection techniques of drastic collection actions? **(16 marks)**
- b) What are the first two steps of litigation process for debt recovery? Explain. **(9 marks)**

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